



THE REAL ESTATE BOARD OF NEW YORK

MANHATTAN RETAIL REPORT | FALL 2017



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## INTRODUCTION

The Manhattan retail leasing market is still in a corrective period. The increased rents of previous years are receding. Deals are still getting done, but they favor parties willing to be flexible with deal structure, uses, asking rent adjustments, and increased concession packages.

The correction may prove healthy for both the short and long-term viability of the Manhattan retail leasing market. In the near-term, retail property owner representatives in our Manhattan Retail Report Advisory Group say that rent adjustments offer a chance for quality retailers to explore markets that were previously too expensive. Other retail brokers in our Advisory Group add that this is an environment for price discovery in a market that is still learning about the effects of online retailing. With stable personal consumption fundamentals and retail demand, our Advisory Group sees this period of declining average asking rents as an opportunity for owners and retailers to find a new equilibrium rent level that promotes long-term tenancy.

Looking at retail from a broader perspective, there are significant transformations underway in the role that physical retail plays in a company's overall sales strategy. When demand is low for traditional spaces and long-term leases, an owner can experiment with tenants who are trying new ideas in presenting their retail concepts, brands, and products. Should these ideas eventually become the norm in retailing, our Advisory Group members note that the owner will be in an early and advantageous position to provide the right space solutions for retail tenants.

While these new, longer-term rent dynamics play out, the retail brokers in our Manhattan Retail Report Advisory Group have reported that both retailers and owners have been very flexible participants in the retail leasing market. Tenants have been searching out value in the market and have been more open to side street space near, but not on the major retail corridors analyzed in our report. In Midtown, the Manhattan Retail Report Advisory Group brokers have noticed this strictly from a value perspective, whereas Downtown side streets include a "hipness factor" being located off major corridors and away from the crowds. Areas on Lafayette Street and the side streets of SoHo have experienced this as

fashionable streetwear brands have sought out more space in Manhattan. Also, pop-up shops on short-term leases have continued to proliferate around the city with owners being more amenable to flexible deals. However, pop-ups have been facing big challenges when owners are contractually obligated to keep high rent levels due to financing agreements.

## EXECUTIVE SUMMARY

As the market's natural correction continues, per square foot (psf) ground floor retail asking rents declined year-over-year in 13 of the 17 high profile corridors that the Real Estate Board of New York's (REBNY) Manhattan Retail Report surveys bi-annually. The most resilient corridors to this trend were the Flatiron Fifth Avenue corridor, between 14th and 23rd Streets, where the ground floor retail average asking rent rose 15 percent to \$449 psf year-over-year; and the Lower Manhattan Broadway corridor, between Battery Park and Chambers Street, where the average asking rent increased two percent year-over-year to \$374 psf.

Upper Fifth Avenue, between 49th and 59th Streets, as well as East 86th Street, between Lexington and Second Avenue, both had increasing average asking rents this fall compared to last fall. Those corridors had very limited ground floor retail availability, which made market conditions more difficult to discern.

Bleecker Street, between Seventh Avenue South and Hudson Street, had the biggest average asking rent reduction this fall compared to last year: a 25 percent decline to \$351 psf. Our Manhattan Retail Report Advisory Group noted that asking rents in this corridor greatly overshot their viable range due to a lack of weekday foot traffic and being better suited to cater to local neighborhood needs.

On the Upper West Side, our Manhattan Retail Report Advisory Group noted concern for the effect of zoning regulations on ground floor retail spaces. They observed that restrictive zoning limitations to storefront size have cut down the number of viable potential tenants in a market already struggling with reduced demand. Fall 2017's average asking rent of \$291 psf on Broadway, between West 72nd Street and West 86th Street, was

## EXECUTIVE SUMMARY (CONT.)

a 15 percent decrease from last fall. On Columbus Avenue, between West 66th Street and West 79th Street, the average asking rent fell 16 percent to \$338 psf compared to last fall.

We must reiterate that the rents quoted in this report are asking rents for available retail spaces. The physical components and location of a retail space factor greatly into its rental value. Attributes such as street/avenue frontage, ceiling height, and presence of below and above grade space can also affect value. Consequently, in corridors with low availability, a high quality retail space coming to market can increase the average and median asking rents greatly. Also, in smaller corridors, a lack of available spaces may lead, in some cases, to adjacent blocks becoming of greater interest to retailers.

Accordingly, we have provided information about the retail rent range as well as asking rent information from six months and 12 months ago to provide a rich statistical context in order to evaluate current market conditions. In addition, we would like to note that the surveyed corridors in this report represent the top tier retail corridors in New York City. Rents on adjoining side streets may lease for considerably less than the locations we are profiling. Lastly, as we have learned in the 17 years that we have been preparing this report, retail brokers active in the market are an invaluable source of information and trends that cannot be fully captured by the numbers in our report. We attempt to provide an overview of the market at a particular point in time that is based on the available listings of our Manhattan Retail Report Advisory Group and the REBNY Retail Committee members, which include all the major retail brokers and owners in Manhattan.

## ACKNOWLEDGEMENTS

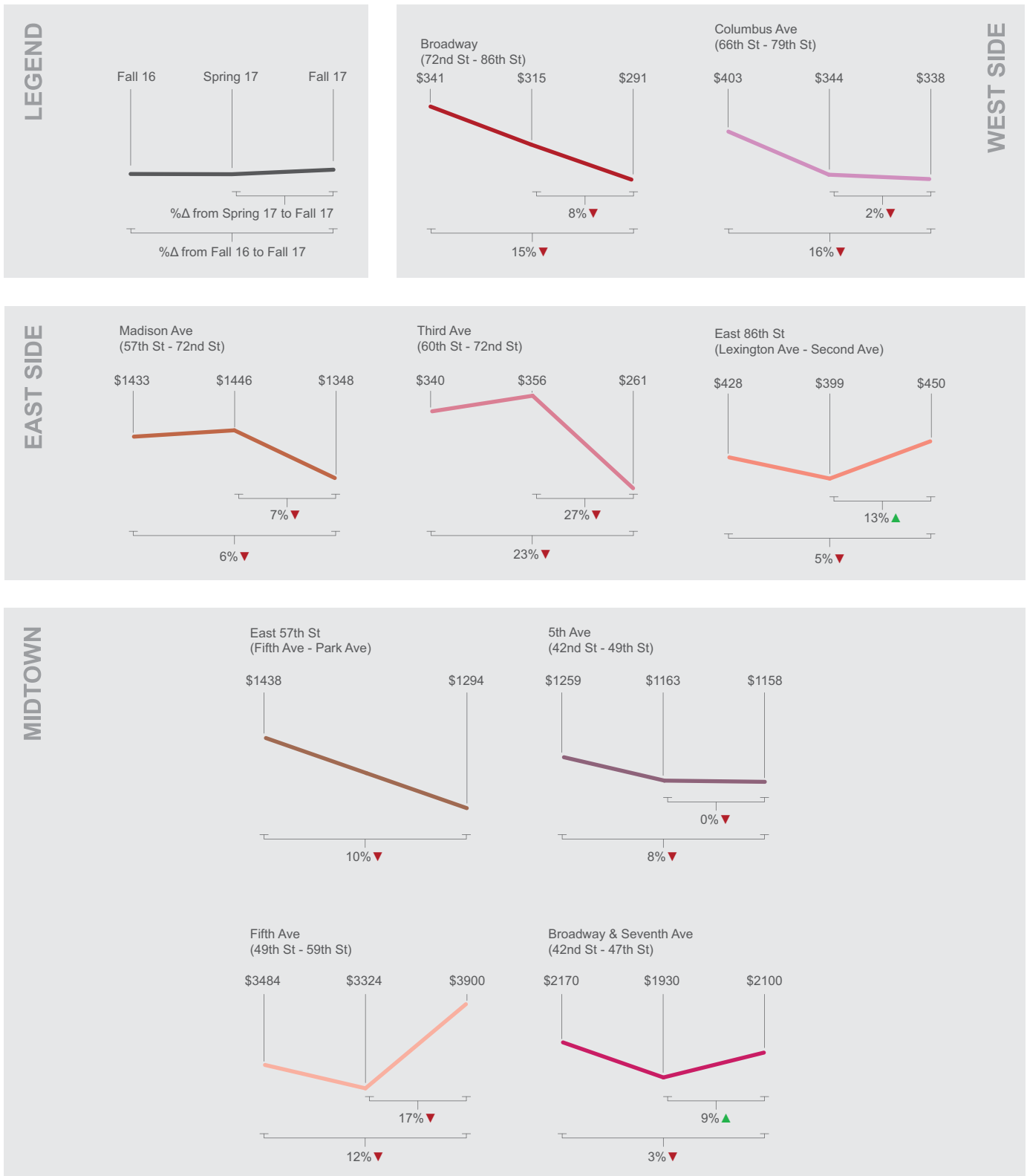
**The REBNY Manhattan Retail Report Advisory Group includes:**

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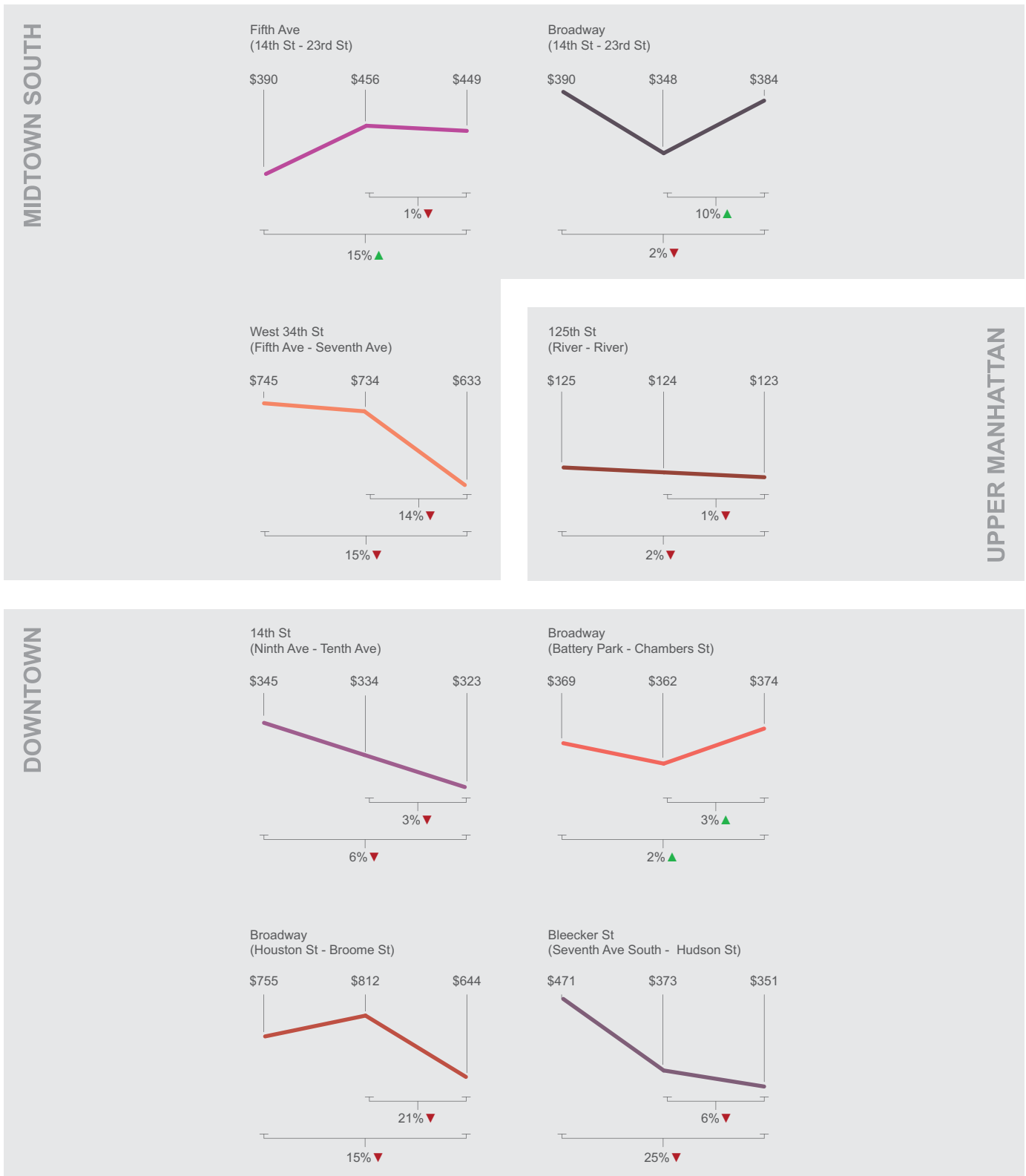
**REBNY would like to thank the following firms for their assistance in preparing the report:**

Brookfield Property Group  
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Jones Lang LaSalle  
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Newmark Grubb Knight Frank  
Ripco Real Estate Corporation  
RKF  
Rose Associates  
SCG Retail  
Sholom & Zuckerbrot Realty  
Sinvin Real Estate  
Walker Malloy

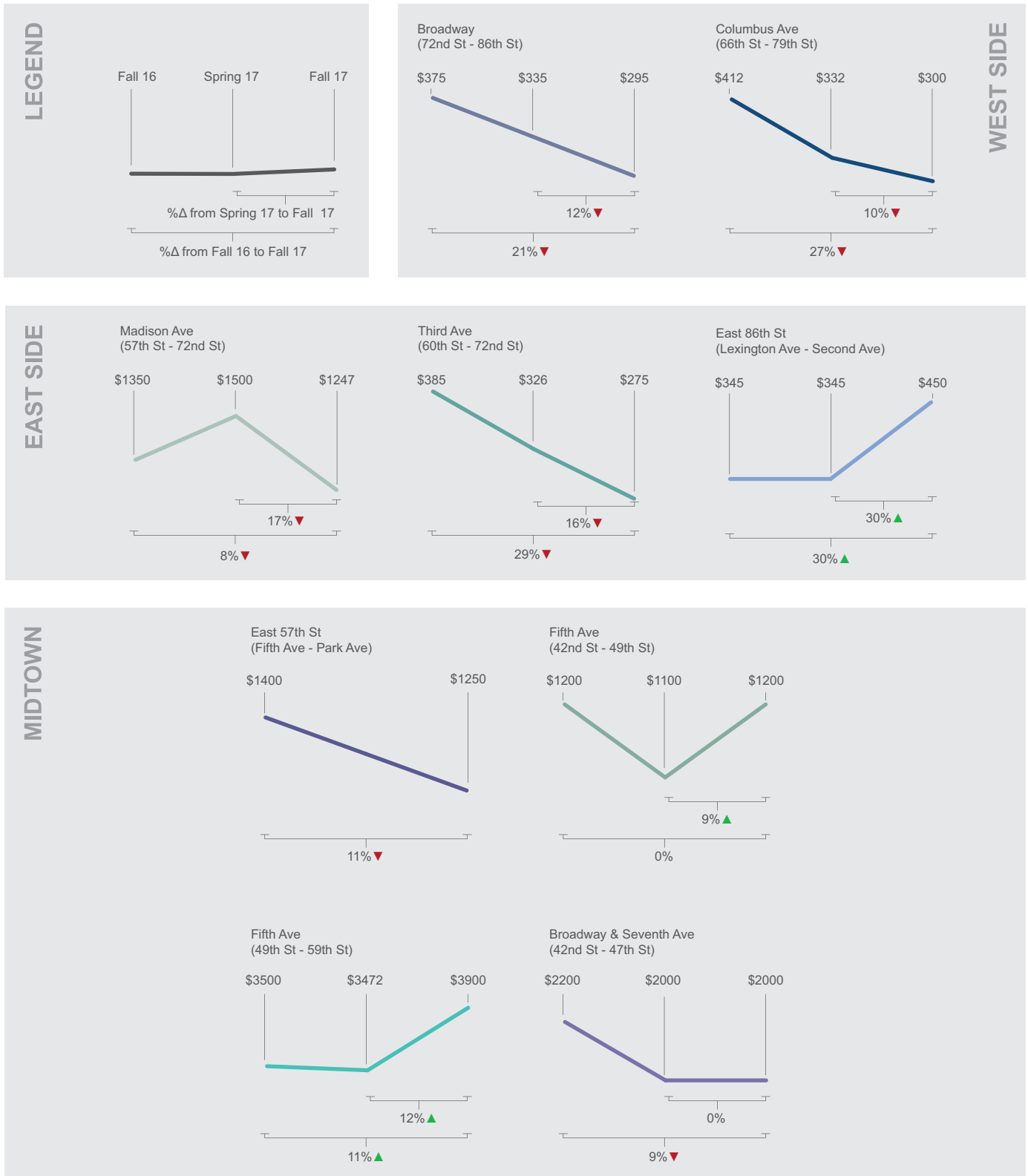
## AVERAGE ASKING RENT PSF - GROUND FLOOR RETAIL



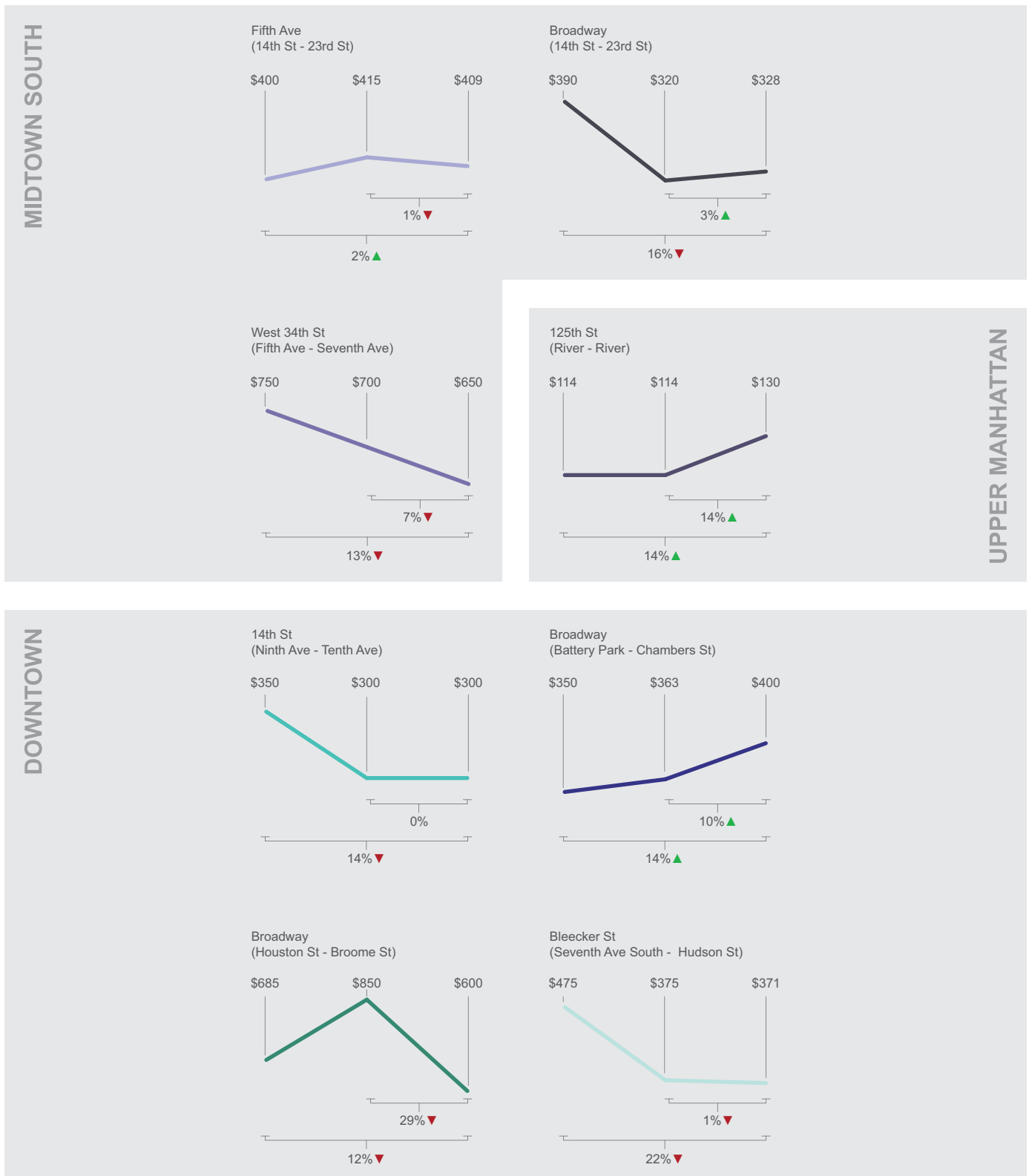
## AVERAGE ASKING RENT PSF - GROUND FLOOR RETAIL



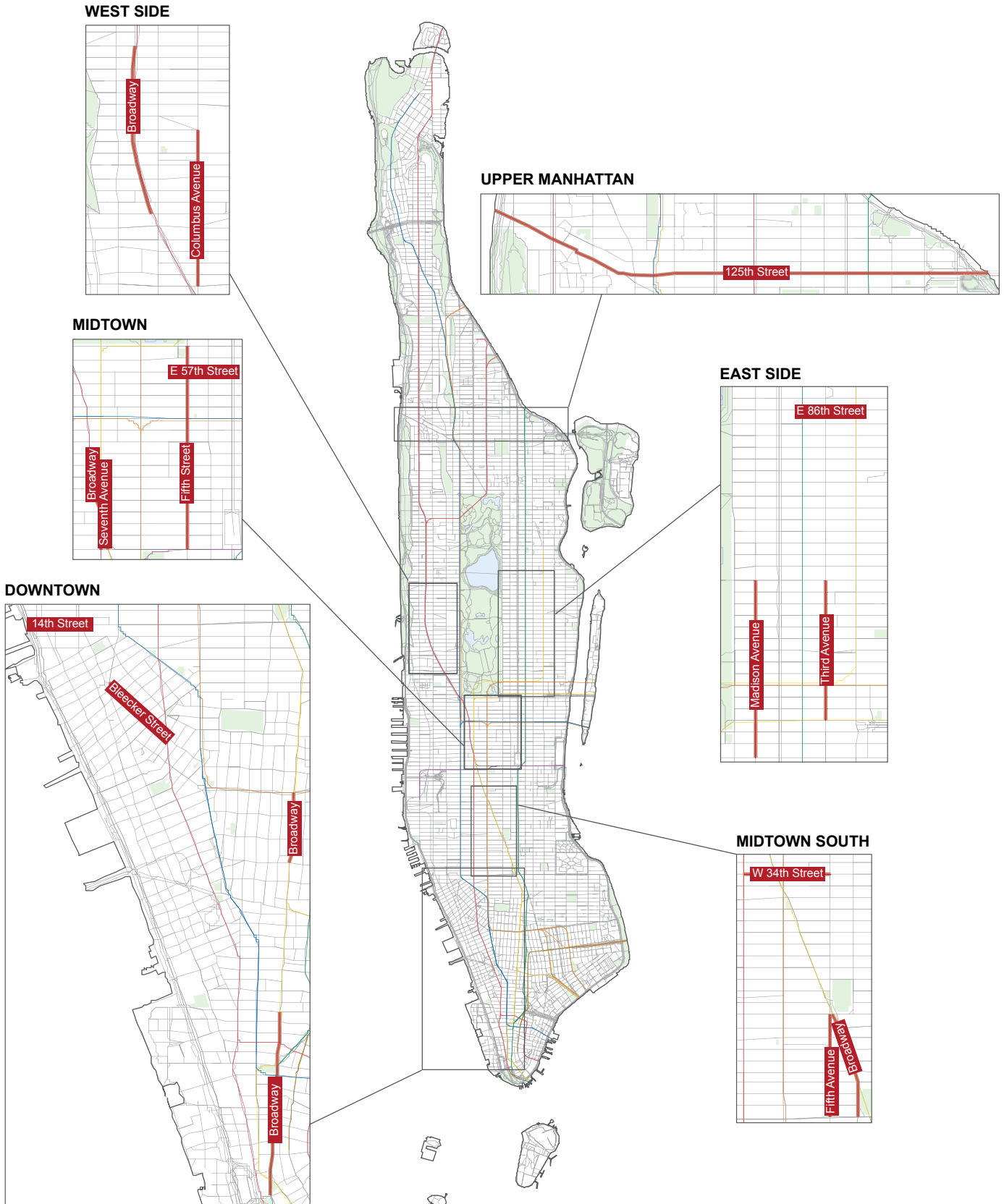
## MEDIAN ASKING RENT PSF - GROUND FLOOR RETAIL



## MEDIAN ASKING RENT PSF - GROUND FLOOR RETAIL



## CORRIDOR MAPS





## APPENDIX

### AVERAGE ASKING RENT PSF – GROUND FLOOR RETAIL

	Fall 17	Spring 17	Fall 16	% Δ Spring 17	% Δ Fall 16
<b>EAST SIDE</b>					
East 86th St (Lexington Ave - Second Ave)	\$450	\$399	\$428	13%	5%
Madison Ave (57th St - 72nd St)	\$1,348	\$1,446	\$1,433	-7%	-6%
Third Ave (60th St - 72nd St)	\$261	\$356	\$340	-27%	-23%
<b>WEST SIDE</b>					
Broadway (72nd St - 86th St)	\$291	\$315	\$341	-8%	-15%
Columbus Ave (66th St - 79th St)	\$338	\$344	\$403	-2%	-16%
<b>MIDTOWN</b>					
East 57th St (Fifth Ave - Park Ave)	\$1,294	NA	\$1,438	NA	-10%
Fifth Ave (49th St - 59th St)	\$3,900	\$3,324	\$3,484	17%	12%
Fifth Ave (42th St - 49th St)	\$1,158	\$1,163	\$1,259	0%	-8%
Broadway & Seventh Ave (42nd St - 47th St)	\$2,100	\$1,930	\$2,170	9%	-3%
<b>MIDTOWN SOUTH</b>					
<b>Herald Square</b>					
West 34th St (Fifth Ave - Seventh Ave)	\$633	\$734	\$745	-14%	-15%
<b>Flatiron</b>					
Fifth Ave (14th St - 23rd St)	\$449	\$456	\$390	-1%	15%
Broadway (14th St - 23rd St)	\$384	\$348	\$390	10%	-2%
<b>DOWNTOWN</b>					
<b>Meatpacking</b>					
14th St (Ninth Ave - Tenth Ave)	\$323	\$334	\$345	-3%	-6%
<b>West Village</b>					
Bleecker St (Seventh Ave South - Hudson St)	\$351	\$373	\$471	-6%	-25%
<b>SoHo</b>					
Broadway (Houston St - Broome St)	\$644	\$812	\$755	-21%	-15%
<b>Lower Manhattan</b>					
Broadway (Battery Park - Chambers St)	\$374	\$362	\$369	3%	2%
<b>UPPER MANHATTAN</b>					
<b>Harlem</b>					
125th St. (River - River)	\$123	\$124	\$125	-1%	-2%

## APPENDIX

### MEDIAN ASKING RENT PSF – GROUND FLOOR RETAIL

	Fall 17	Spring 17	Fall 16	% Δ Spring 17	% Δ Fall 16
<b>EAST SIDE</b>					
East 86th St (Lexington Ave - Second Ave)	\$450	\$345	\$345	30%	30%
Madison Ave (57th St - 72nd St)	\$1,247	\$1,500	\$1,350	-17%	-8%
Third Ave (60th St - 72nd St)	\$275	\$326	\$385	-16%	-29%
<b>WEST SIDE</b>					
Broadway (72nd St - 86th St)	\$295	\$335	\$375	-12%	-21%
Columbus Ave (66th St - 79th St)	\$300	\$332	\$412	-10%	-27%
<b>MIDTOWN</b>					
East 57th St (Fifth Ave - Park Ave)	\$1,250	NA	\$1,400	NA	-11%
Fifth Ave (49th St - 59th St)	\$3,900	\$3,472	\$3,500	12%	11%
Fifth Ave (42th St - 49th St)	\$1,200	\$1,100	\$1,200	9%	0%
Broadway & Seventh Ave (42nd St - 47th St)	\$2,000	\$2,000	\$2,200	0%	-9%
<b>MIDTOWN SOUTH</b>					
<b>Herald Square</b>					
West 34th St (Fifth Ave - Seventh Ave)	\$650	\$700	\$750	-7%	-13%
<b>Flatiron</b>					
Fifth Ave (14th St - 23rd St)	\$409	\$415	\$400	-1%	2%
Broadway (14th St - 23rd St)	\$328	\$320	\$390	3%	-16%
<b>DOWNTOWN</b>					
<b>Meatpacking</b>					
14th St (Ninth Ave - Tenth Ave)	\$300	\$300	\$350	0%	-14%
<b>West Village</b>					
Bleecker St (Seventh Ave South - Hudson St)	\$371	\$375	\$475	-1%	-22%
<b>SoHo</b>					
Broadway (Houston St - Broome St)	\$600	\$850	\$685	-29%	-12%
<b>Lower Manhattan</b>					
Broadway (Battery Park - Chambers St)	\$400	\$363	\$350	10%	14%
<b>UPPER MANHATTAN</b>					
<b>Harlem</b>					
125th St. (River - River)	\$130	\$114	\$114	14%	14%

## APPENDIX

### RANGE OF ASKING RENTS PSF – GROUND FLOOR RETAIL

	Fall 17		Spring 17		Fall 16	
<b>EAST SIDE</b>						
East 86th St (Lexington Ave - Second Ave)	\$450	-	\$450	\$250	-	\$655 \$250 - \$800
Madison Ave (57th St - 72nd St)	\$520	-	\$2,135	\$520	-	\$2,100 \$780 - \$2,200
Third Ave (60th St - 72nd St)	\$165	-	\$300	\$185	-	\$550 \$160 - \$550
<b>WEST SIDE</b>						
Broadway (72nd St - 86th St)	\$105	-	\$500	\$130	-	\$480 \$200 - \$500
Columbus Ave (66th St - 79th St)	\$176	-	\$500	\$178	-	\$528 \$247 - \$528
<b>MIDTOWN</b>						
East 57th St (Fifth Ave - Park Ave)	\$1,175	-	\$1,500	NA	-	NA \$1,200 - \$1,750
Fifth Ave (49th St - 59th St)	\$3,900	-	\$3,900	\$3,000	-	\$3,500 \$2,700 - \$4,450
Fifth Ave (42th St - 49th St)	\$700	-	\$1,600	\$700	-	\$2,000 \$1,000 - \$2,500
Broadway & Seventh Ave (42nd St - 47th St)	\$1,800	-	\$2,500	\$1,000	-	\$2,350 \$1,950 - \$2,350
<b>MIDTOWN SOUTH</b>						
<b>Herald Square</b>						
West 34th St (Fifth Ave - Seventh Ave)	\$314	-	\$1,000	\$514	-	\$1,000 \$391 - \$1,000
<b>Flatiron</b>						
Fifth Ave (14th St - 23rd St)	\$285	-	\$750	\$285	-	\$750 \$300 - \$480
Broadway (14th St - 23rd St)	\$286	-	\$540	\$285	-	\$500 \$350 - \$430
<b>DOWNTOWN</b>						
<b>Meatpacking</b>						
14th St (Ninth Ave - Tenth Ave)	\$195	-	\$700	\$225	-	\$700 \$275 - \$450
<b>West Village</b>						
Bleecker St (Seventh Ave South - Hudson St)	\$200	-	\$450	\$200	-	\$495 \$325 - \$655
<b>SoHo</b>						
Broadway (Houston St - Broome St)	\$444	-	\$1,000	\$550	-	\$993 \$500 - \$1,667
<b>Lower Manhattan</b>						
Broadway (Battery Park - Chambers St)	\$160	-	\$600	\$150	-	\$600 \$178 - \$700
<b>UPPER MANHATTAN</b>						
<b>Harlem</b>						
125th St. (River - River)	\$76	-	\$145	\$67	-	\$210 \$65 - \$279